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SUBJECT: BULGARIA'S RULING SOCIALISTS SURVIVE FIRST POST-EU  
ACCESSION YEAR, NEW POPULIST PARTY ON THE RISE

REF: A. 07 SOFIA 962

[1](#)B. 07 SOFIA 1262

[1](#)C. 07 SOFIA 582

[1](#)D. 07 SOFIA 678

[1](#)E. 07 SOFIA 1259

[1](#)F. 07 SOFIA 1272

[1](#)G. 07 SOFIA 1290

[1](#)H. 07 SOFIA 1070

[1](#)I. 07 SOFIA 510

[1](#)J. 07 SOFIA 916

[1](#)K. 07 SOFIA 1216

Classified By: CDA Alex Karagiannis for reasons 1.4 (b) and (d).

[1](#)1. (C) SUMMARY: Bulgaria's Socialist-led coalition government successfully bucked the trend of new EU members changing governments during the first post-accession year. Although shaken by a high-profile corruption scandal and social protests, PM Sergei Stanishev's government is intact, with a good chance of filling a full term in office through mid-2009. Stanishev has led the government and the Bulgarian Socialist Party (BSP) with more confidence than many initially expected, asserting his leadership within the party and skillfully balancing interests within the uneasy three-party coalition. Last year also saw the rise of a new political force -- the populist Citizens for the European Development of Bulgaria (GERB) party of Sofia's charismatic Mayor Boiko Borissov. His year-old party edged out the ruling Socialists in May elections for the European parliament and in October local elections, landing at the top of public opinion charts at the end of 2007. The weak and fragmented center-right opposition talks of uniting but remains marginal. GERB's rise, coupled with tensions in Socialist ranks and possible new strikes next year, forebode a difficult 2008 for Stanishev. PM Stanishev is determined to lead the first post transition socialist government to a full term in office; his government is likely to ride out problems, though cabinet changes are probably in store for [1](#)2008. While early elections cannot be completely ruled out, it would take exceptionally powerful political forces or a split within the BSP to force the PM's hand. END SUMMARY.

[1](#)2. (C) The Socialist-led coalition, formed in mid-2005 with EU membership as its top priority, successfully pushed through the first year following EU accession. Forecasts that the government would collapse after Bulgaria's EU entry due to a lack of policy cohesion have proven wrong. The political and economic interests that hold together the ideologically diverse coalition, including the Bulgarian Socialist Party (BSP), National Movement for Simeon II (NMSS) and the ethnic Turkish Movement for Rights and Freedoms (MRF), are strong. Stanishev managed recurring tensions among the coalition partners and skillfully maintained the delicate balance among rival lobbies within his own party. Coalition maintenance and government survival are increasingly focal points for the PM now as tougher economic,

fiscal, and social policy choices lie ahead.

13. (C) Through 2007, the cabinet maintained economic stability, curbed unemployment and initiated bold fiscal reforms hailed by the business community (Ref. A). But, inflation rose to a current 12.6 percent, year-on-year, due to increased domestic demand. The GOB has not yet begun to draw on EU structural funds, disappointing Bulgarians' expectations for a quick and substantial rise in living standards. A series of protests and strikes by public workers demanding higher wages, culminating in a month-long teachers' strike in the autumn, put added pressure on the government during the local elections (Ref B). International institutions and financial markets praised the government's resolve to keep fiscal discipline, but this resolve further alienated some of the Socialist electorate, already displeased by the government's reformist policies. The government is running a budget surplus and net foreign direct investment covers a large current account deficit. For ordinary voters, this does not mean much, as they face higher fuel, utility and food costs.

#### SOCIALIST PARTY WOES

14. (C) A high-profile corruption scandal in April centered on Economy and Energy Minister Roumen Ovcharov embarrassed the government and led to Ovcharov's ouster in June (Ref. C). Showing that not much happens though, Ovcharov landed on his feet as Parliament's Budget Committee Chairman; and legal proceedings against him are in limbo. The scandal contributed to the Socialists' worse-than-expected showing in the May elections for European parliament, which Borissov's new GERB party won by a slim margin (Ref. D). The BSP did slightly better in October local elections, more due its

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well-established regional organization than to increased support, taking the greatest number of municipal counselors and municipal mayors nationwide. But GERB again edged out the BSP in the popular vote (Ref. E, F, G). The local elections' outcome was still considered a minor BSP success as it held its own amid the ongoing teachers' strike and tensions within its leadership. It slowed the party's apparent decline and confirmed Stanishev's leadership; he put the best face by far on BSP performance and gained currency against glum local chapters who often ran lackluster old-think candidates.

#### STANISHEV MOVES TO ASSERT LEADERSHIP

15. (C) Stanishev moved steadily throughout the year to strengthen his BSP party leadership, standing up to two powerful insider figures formerly known as "the regents" -- ex-Economy and Energy Minister Ovcharov and the equally influential and controversial Interior Minister Roumen Petkov (Ref. H). While cautious about changes in government, Stanishev has been more decisive about party matters. At an extraordinary party conference in June, he overhauled the party leadership, curbing the powers of both Petkov and Ovcharov while preserving the balance between their rival lobbies. He also moved against party hard-liners and gained party support for his reformist economic course. A more serious potential problem for Stanishev is the so-called Generals' Movement, a hard-line BSP faction dominated by former State Security officers with solid positions in business and strong ties with Russia. The previously powerful group, which Stanishev managed to sideline, seeks to regain its influence.

16. (C) Despite his growing authority, Stanishev is not yet undisputed BSP leader. President Georgi Parvanov, the party former chairman and Stanishev's former mentor, still enjoys considerable influence. Bulgaria's first post-communist president to win re-election, Parvanov played an instrumental role in assembling the incumbent center-left coalition, and installed key members of his staff in Stanishev's political

cabinet. Insiders tell us that Parvanov feels uneasy about Stanishev's growing independence and still believes he is entitled to have a say in key government matters. This attitude has put the President and the PM at odds on several issues over the past year, including over Stanishev's support for the release of communist State Security files (which name Parvanov as a collaborator) and, more recently, his plan for restructuring the security services.

17. (C) The new State Agency for National Security (DANS), has legal standing as of January, but is not expected to fully execute its legal authorities before March. It is a key part of the PM's efforts to assert his authority while limiting the powers of Interior Minister Petkov, a close associate of Parvanov. The DANS incorporates domestic intelligence services with the aim to increase their effectiveness and transparency; Petkov fought the reform, and low-level attrition skirmishes between his ministry and DANS are not out of the question, though both DANS and MOI leaders are making a good show of cooperation, for now. Party insiders say that conflicts between Stanishev and Parvanov are unlikely to develop into open confrontation. Still, Parvanov's appetite to play an increased role in government matters fueled speculation, especially in the old center-right, that he may follow the "Putin model" and move quietly to set up a new leftist, pro-presidential party to secure his political future when his term expires in four years.

18. (C) Two problems that could affect the BSP over the mid-term are a widening gap between the reformist leadership and the party grass roots; and growing tension between the Sofia leadership and the regional branches. BSP officials explain this as a serious generational problem, as younger people dominate the central party leadership while old-guard apparatchiks appointed in the early 1990s run the local branches. One BSP insider described the BSP as a "union of people with common biographies but lack of common goals." The majority of the old-guard (and often elderly) BSP base no longer feels represented by its government. BSP insiders say the situation requires the PM to do a balancing act, pursuing economic stability while unveiling measures to please BSP's core lower income supporters, some of whom have started migrating to GERB and Ataka. According to these insiders, Stanishev aims to stabilize the BSP but not at the expense of fiscal discipline.

#### POPULIST PARTY ON THE RISE

19. (C) The past year saw the rise of GERB, the party of  
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charismatic, controversial Sofia Mayor Borissov, which poses an increasing challenge to the Socialists. Launched in December 2006, GERB made an impressive political debut, winning the popular vote in both May's elections for the European Parliament and October's local elections. GERB sent six delegates to the European Parliament, gained solid representation in the municipalities, particularly in the bigger cities, and retained control of the capital where Borissov handily won re-election. Recent polls show that if general elections were held now, 25 percent of all voters would back GERB against 22 percent for the Socialists. It campaigned on populist, anti-government rhetoric, taking full advantage of the disintegration of the traditional center-right and reaping the bulk of the protest vote against the Socialist-led ruling coalition. GERB's promises for transparent rule and higher living standards are music to the ears of disillusioned voters, attracting support from both the left and right and from a wide range of demographic groups.

110. (C) Although advertised by Borissov as Bulgaria's "new center-right," GERB owes its popularity entirely to the personality of its leader, who has enjoyed nearly heroic status in Bulgaria since becoming Interior Ministry Chief

Secretary in 2001. A bulky former bodyguard and firefighter,

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Borissov uses his tough-cop image and influence with local media to get his populist message out. His mixed record at the Interior Ministry and city hall and his checkered past, involving at least superficial ties with leaders of the 1990s organized crime group SIC, have not undermined his popularity. Borissov, who dictates all decisions in the party, has not hidden his ambitions for the PM post (or even the Presidency). He says that GERB has redefined the status quo and has called for early elections next spring. (Note: GERB is not represented in the current parliament, formed following the 2005 general elections.) But GERB insiders say Borissov's appeal for an early vote is merely a political move aimed at asserting the party's political identity. They say Borissov realizes that GERB needs to use the time until the scheduled 2009 elections to strengthen the party's national structure and groom its team. This position may change if the party begins losing momentum or if social protests make the ruling coalition vulnerable.

¶11. (C) Many analysts consider GERB a personality-based project with little chance to evolve into a traditional center-right party. They point to similar Bulgarian post-communist personality-based parties that enjoyed a meteoric rise based on a protest vote -- the short-lived Bulgarian Business Block in the early 1990s and more recently ex-King Simeon's NMSS. They argue that GERB cannot become a traditional center-right party as that would by definition shrink its electoral base, which includes protest votes from the left and right. Some compare Borissov to Poland's Kachinsky brothers, saying Bulgaria is merely following a broader European trend towards populism. A minority view is that with the help of the European People's Party, which GERB aspires to join, GERB gradually could evolve into a classic conservative party. Even some of the party's senior members are uncertain about which way their group will go. They point to the party's eclectic nature, with regional branches dominated by former police and security officials and opportunists who failed with other parties, as well as young Western-educated technocrats in the party leadership. They also say that all decisions in the party are taken unilaterally by Borissov, which is an obstacle to building a broader party leadership base.

ETHNIC TURKISH MRF - LOCUS OF CORRUPTION

¶12. (C) The ethnic Turkish MRF party continues to be a main source of corruption in the three-party government, which needs the MRF votes to maintain its stable majority in parliament. The MRF and its autocratic (but seldom publicly vocal or visible) leader Ahmed Dogan have influence in the government disproportionate to the party's size. MRF's participation in the government is unpopular among the Socialist rank and file, fueling discontent with the BSP leadership, which is perceived as ceding to MRF pressure. MRF's outright disrespect for public morality was illustrated in the case of Deputy Minister of Natural Disaster Management Delyan Peevski, an MRF appointee dismissed in May for his involvement in a major corruption scandal but reinstated to the post in December following MRF pressure. The MRF was also a major player in the large scale vote-buying that marred the October local elections, as well as "electoral tourism" -- bussing dual citizens from Turkey to vote for the MRF. Negative publicity has not affected the party's near monopoly on the ethnic Turk vote, 9.4 percent of the population, which gave the MRF a strong third place showing

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in both the European elections and the municipal vote. MRF-appointed Deputy PM and Minister of Natural Disaster Management Emel Etem's blatant dismissal of public outrage over her ministry's failure to deal with the aftermath of early-January 2008 snowstorms even further alienated the non-ethnic electorate from the MRF.

## EXTREME NATIONALISTS RETAINS BASE

¶13. (C) The extreme nationalist Ataka Party retained its energized hardcore electorate despite high-profile infighting and defections throughout 2007. Recent defections brought down the number of Ataka MPs to 11, only one more than the minimum 10 MPs needed to form a parliamentary group. The party's fiery leader Volen Siderov, who was stripped of his parliamentary immunity in 2006, is standing trial on charges of perjury and obstruction of justice. In addition, he has been involved in a noisy row with Ataka defectors who blame him for turning the party into a family business and betraying the true nationalist idea. But neither scandals within the group nor the court case against Siderov have caused electoral collapse. Predictions that the bulk of its electorate would migrate to GERB have not (yet) borne out. The party held its own in both European and local elections, ranking fourth according to number of votes after GERB, BSP, and the MRF. It continues to attract support from people discontented with the mainstream parties and by those who suffered from the post-communist transition to a market economy. It taps into prejudice against the country's Roma population, and successfully exploits discontent with the political influence of the MRF. Its support comes from radical rightists as well as from hard-line leftists who are upset with the BSP's reformist course.

¶14. (C) Strongly anti-U.S. and anti-EU, Ataka maintains close ties with the Russian Embassy in Sofia. It also receives support from French rightist Jean-Marie Le Pen, seeks closer ties with Orthodox Slav nations and remains the main source of rabid anti-Americanism. Ataka's daily newspaper and cable television channel, which serve as party mouthpieces, have not missed an opportunity to attack the United States, offering especially negative coverage on joint military facilities and participation of Bulgarian forces in missions abroad. While considerable commentary swirls as to who funds Ataka and its operations, it is rarely vocalized. Meanwhile, polls show support for Ataka to have dropped to five percent at year-end from seven percent in early 2007, still higher than the traditional center-right parties.

## OLD CENTER-RIGHT STRUGGLES TO SURVIVE

¶15. (C) The weak and fragmented center-right, circling the drain since it lost power in mid-2001, continues to struggle for survival. The two traditional center-right parties -- the Union of Democratic Forces (UDF) and ex-PM Ivan Kostov's Democrats for Strong Bulgaria (DSB), -- dismissed by Borissov as obsolete "parties of the transition," suffered humiliating defeats in the May European Parliament election, neither winning a single delegate seat. This outcome is especially ironic given that the 1997-2001 center-right government of ex-PM Kostov carried out the most painful reforms that opened the way to Bulgaria's EU membership. But just when commentators were ready to announce the death of the "old center-right," a better-than-expected showing in the local election spurred hopes for a revival. The result came on the heels of a leadership change in the UDF in July, when ex-President Petar Stoyanov was replaced by Plamen Yurukov, a businessman and a novice in politics. A more consensual figure, Yurukov vowed to work to overcome the personality clashes that have prevented the center-right parties from coming together. His moderate style laid the grounds for cooperation between the center-right groups at the local level. The subsequent improved showing in the local election triggered hopes for cooperation on a national level. The European People's Party, the umbrella group for Europe's center-right parties, also has urged the UDF and DSB to form an alliance to cross the four percent threshold to enter parliament in the next general election, and work together with GERB to revive the center-right. Otherwise, the "old" center-right will continue to twist in the wind, as GERB claims the center-right ground in Bulgaria.

## ROYAL TALE COMING TO AN END?



¶16. (C) Ex-PM Simeon Saxe-Coburg's National Movement for Simeon II (NMSS), a junior coalition partner in the government, continued to lose ground, with support plummeting to a record low of two percent at year-end, a distant echo from the double-digit ratings several years ago. High-profile infighting over party leadership, which erupted

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during the June 3 party congress, culminated in November when the ex-King expelled four key NMSS members of parliament from the party, prompting another 12 to quit. The defectors included some of NMSS's stronger personalities, whose departure will further weaken the party. The 16 NMSS defectors formed a new group in parliament, called Bulgarian New Democracy, further fragmenting what is already Bulgaria's most fractious post-communist parliament. Hailed as a national savior seven years ago, Simeon has become more of a liability than an asset for his party, as more Bulgarians believe his return has been driven by the wish to regain the royal estates that were confiscated under the communist regime. The NMSS split is unlikely to affect the stability of the coalition government, which maintains a majority of 152 MPs in the 240-seat assembly. It is likely the sad finale of the "royal tale."

#### GOVERNMENT RESHUFFLE?

¶17. (C) The timing of the NMSS break-up could affect the timing of PM Stanishev's long-rumored plans to make cabinet changes. One source close to the PM said Stanishev wants it clear he is "making changes in the government to optimize its performance not to fulfill Simeon's desire for revenge." The source added that a government reshuffle was still possible in the first half of 2008, perhaps as early as February. The PM must negotiate MRF redlines, and NMSS weakness. A reshuffle is unlikely to add dynamic new blood to the cabinet, but may at least freshen the look of the government.

¶18. (C) COMMENT: The Socialist-led government has shown stronger capacity for survival than many expected, partly due to the lack of alternatives and to the remarkable maneuvering skills of the young PM. Stanishev has shown himself to be a capable leader, ending the perception that he is a puppet moved by more powerful figures. BSP infighting will continue to test his leadership next year, as well as the unpredictable moves of his uneasy coalition partners. The quick rise of Borissov's new party has changed Bulgaria's political constellation, and odd-makers already say that GERB will lead the next government. But GERB's anti-government rhetoric alone is unlikely to shake government stability without an escalation of public unrest. Recent polls show that although the majority of Bulgarians disapprove of the current government, less than 20 percent want an early vote. The key question appears to be whether the government has the political will and capability to press ahead with much-needed structural reforms, or will the PM's efforts focus on maintaining balance in the coalition that will allow him to become Bulgaria's first Socialist PM to complete a full term in office. END COMMENT.  
Karagiannis